# BABA GHULAM SHAH BADSHAH UNIVERSITY RAJOURI

**SYNOPSIS**

**FOR**

**Ph.D REGISTRATION**

Proposed Research Topic**: "Management of microfinance Programmes and their contribution to poverty alleviation."**

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## INTRODUCTION

The term 'Micro Finance' is of recent origin though we do not find this word in text books dealing with finance and financial management. But now a days, it is freely used in the media, national/international forums, literature relating to development and prosperity of relatively disadvantaged sections of the society. In the developmental paradigm, microfinance has evolved as a need-based policy programme to cater to the so far neglected target groups (women, poor, rural, deprived, etc.). Its evolution is based on the concern of all developing countries for empowerment of the poor and the alleviation of poverty. Development organizations and policy makers have included access to credit for poor people as a major aspect of many poverty alleviation programmes. Microfinance programmes in the recent past have become one of the more promising ways to use scarce development funds to achieve the objectives of poverty alleviation. Furthermore, certain microfinance programmes have gained prominence in the development field and beyond. The basic idea of microfinance is simple: if poor people are provided access to financial services, including credit, they may be able to start or expand a micro-enterprise that will allow them to break out of poverty. Thus, micro-finance has become one of the most effective interventions for economic empowerment of the poor. Microfinance is an economic development approach that involves providing financial services, through institutions, to low-income clients, where the market fails to provide appropriate services. The services provided by the Microfinance Institutions (MFIs) include credit saving and insurance services. Many microfinance institutions provide social intermediation services such as training and education, organizational support, health and skills in line with their development objectives. Microfinance is considered as a tool for socio-economic development of people and for financing small scale activities/technological applications in the rural areas. It Provide credit for investment in small scale activities chosen by the poor people, empower the poor to build self confidence, allow developing opportunities for self employment to the underserved people, having the broadest utility and the least cost per beneficiary. Microfinance is a credit methodology, which employs effective collateral substitute for short-term and working capital loans to micro-entrepreneurs. The level of a country's poverty has long been linked with measures of its economic development. Microfinance has demonstrated its potential to assist the poor to make significant strides towards reducing their exposure, improving their purchasing power, paying for basic health care and bearing their children's education expenses (Littlefield et

al., 2003). Microfinance in India can trace its origins back to the early 1970s when the Self Employed Women's Association ("SEWA") of the state of Gujarat formed an urban cooperative Bank, called the Shri Mahila SEWA Sahakari Bank, with the objective of providing banking services to poor women employed in the unorganized sector in Ahmadabad City, Gujarat. The continuous failure of the formal financial system to deliver credit and other financial services to the poor and the realization of potential role of microfinance in poverty alleviation led to the emergence of microfinance in India. Microfinance is widely recognized as a strategy to fight against inequality, poverty and vulnerability. Microfinance is a broad category of services, which includes microcredit. The terms micro credit and microfinance tend to be used interchangeably to indicate the range of financial services offered to the poor and vulnerable populations, low-income individuals/households and micro-enterprises. Microcredit is provision of credit services to poor clients, although microcredit is one of the aspects of microfinance. Critics often attack microcredit while referring to it indiscriminately as either microcredit or microfinance, due to the broad range of microfinance services. Microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit but also savings, insurance, and fund transfers. Many of those who promote microfinance generally believe that such access will help poor people out of poverty, for others, microfinance is a way to promote economic development, employment and growth through the support of micro-entrepreneurs and small businesses. Despite some successes witnessed, all promises of microfinance are yet to be fulfilled in reality the system of microfinance has been designed to give low income communities quick and easy access to socio-economic services, and providing opportunities for self-employment and thus a chance to uplift themselves out of poverty. The non-availability of the funds to the poor is considered the major constraint for getting beneficial opportunities. If the funds are made available to the poor then it is expected that they can change their destiny. Since socio-economic development became institutionalized in the form of the objectives guiding development banking, the elimination of poverty has been proved elusive. Therefore, it is pivotal for a country like India to address such issues of rapid growth of urban as well as rural population viz-a-viz poverty, social security and youth unemployment. In order to address this issue there is a need for the planners and policy makers to think of alternative source of employment for promotion of sustainable livelihoods for the bottom of the pyramid. It is evident that there are limited number of jobs available in the government, private and public sector

which is restricted to the educated lot only. In whole World more than 60% of respondents felt that self employment would be the most effective method of escaping poverty.

**REVIEW OF LITERATURE**

Sita Devi K., Ponnarasi T. & Tamil Selvi G. (2010) analyzed the impact of microfinance on the socio-economic status of the rural poor in Cuddalore District of Tamil Nadu. Imai, Gaiha, Thapa and Annim (2010) concluded that there is no doubt that microfinance is a powerful tool against poverty but some evidence creates a black spot on its performance. Gurses (2009) concluded that microfinance especially microcredit is a powerful tool to reduce poverty. Shastri (2009) revealed that there is no way better than microfinance in the war against poverty. Creating self employment opportunities is one way of attacking poverty and solving the problems of unemployment. Ahmad (2008) concluded that microfinance is fighting against poverty with full force but due to some facts the role of microfinance is decreasing in some areas of Pakistan. If these facts are cured, microfinance will eliminate poverty in a short period of time. Sangwan (2008) empirically ascertained the determinants of financial inclusion and studied the relevance of Self Help Groups (SHGs) in achieving financial inclusion. Kumar, Bohra & Johari (2008) found that microfinance is the only way to overcome poverty in India. Swain (2007) studied the impact of SHG bank linkage programmes on poverty, vulnerability and social development on participants. Bakhtiari (2006) concluded that microcredit and microfinance have received extensive recognition as a strategy for poverty reduction and for economic empowerment particularly in rural areas having poor population. Providing poor people the small amounts of credit at reasonable interest rates give them an opportunity to set up their own business at small scale. Misra (2006) in his paper discussed the factors and theoretical position associated with evolution of microfinance and then assessed the socio-economic impact of SHG bank linkage programme of microfinance in India. Sinha (2005) revealed that microfinance is making a significant contribution to both the savings and borrowings of the poor in the country. Chowdhury et al. (2005) examined empirically the impact of micro-credit on poverty in Bangladesh. The focus was on both objective and subjective poverty and particular attention was paid to the length of time, the programme participants had access to micro-credit. Singh (2003) had explained the failure of government initiated anti-poverty programmes and the success of microfinance programme as an effective poverty alleviation strategy in India. Littlefield et al. (2003) reviewed that microfinance programme was very helpful in attaining the millennium

development goals through mobilizing various resources to reduce poverty and hunger, eliminate HIV/AIDS and infectious diseases, empower women, educate all children and lower child mortality. Fisher and Sriram (2002) explained that the financial sector developed in India by the end of 1980s was largely supply and target driven. The government sponsored poverty alleviation schemes experienced poor recovery rates with misutilisation of 26 subsidy and lack of observation of repayment ethics. Mishra et al. (2001) studied the impact of rural SHGs on generation of income and employment among the beneficiaries identified the major constraints and problems faced by the groups, and suggested measures for overcoming these problems in Faizabad district of eastern Uttar Pradesh. Gurumoorthy (2000) reported that the SHGs are linked with banks for the internal credit under the projects of rural development. The appraisal consists of bank managers, rural development officers, NGO's, project implementation units visit the groups for providing financial assistance to the respective entrepreneurial activities. Nanda (1999) conducted the impact studies of self help and found that the most outstanding impact of the linkage programme could be the socio-economic empowerment of the poor more particularly the women. International Labour Organization (ILO) (1998) in its various projects concluded that microfinance had successfully increased micro-enterprises and self employment of the clients. Pitt and Khandker (1998) had studied the impact of microfinance on poverty in Bangladesh.

**Objectives of the study**

1. To know about the programmes/schemes of microfinance.
2. To examine the management of microfinance programmes.
3. To identify the constraints faced by microfinance providers.
4. To know the extent to which microfinance programmes implemented in District Rajouri.
5. To study the socio-economic status of beneficiaries in the study area.
6. To study the impact of microfinance on poverty alleviation.
7. To trace out the problems and to suggest the remedial measures from management's perspective.

**Hypotheses:-**

To achieve the above stated objectives, the following proposed hypotheses shall be tested.

H1: There is positive impact of effective management of microfinance programmes in employment generation.

H2: Microfinance plays a positive role in poverty reduction.

**Research Methodology**

**Selection of the study area and sample design**

District Rajouri is selected for the present study, Rajouri is located in the foothills of Peer-Panjal range of Himalayas, with an area of 2,630 sq.km in the west of Jammu Division. As per the Census of 2011, the population of Rajouri District is 6,19,266 out which 3,32,424 and 2,86,842 are males and females respectively and the population below poverty line is 1,33,843. Rajouri has an average literacy rate of 68.54%, out of which male literacy is 78.38% and female literacy is 57.20%. In District Rajouri there are seven Tehsils namely; Rajouri, Nowshera, Sunderbani, Kalakote, Koteranka (Budhal), Thannamandi and Darhal. The total number of units/beneficiaries of the study area worked out from the relevant sources comes to be 488, where the samples are heterogeneous in nature. The sample size for the study shall be 50% of the universe. The respondents shall be selected based on stratified random sampling technique.

**Methods of data collection**

The present study is based on both primary and secondary data. The primary data shall be collected from the sample respondents .The secondary data shall be collected from different sources like District Rural Development Agency (DRDA), Department of Economics and Statistics, Office of the Block Development Officers, Banks and other sources like books, relevant documents, journals, newspapers and magazines, published and unpublished materials of government/non-governmental organizations and websites. In order to deduce conclusions, the data collected from primary and secondary sources would be arranged in a systematic manner and suitable statistical tools and techniques will be used for analysis and interpretation.

**Proposed Chapters Scheme**

CHAPTER ONE:

**Introduction**: This chapter would be introductory in nature and would introduce the problem and enumerate the objectives of the research under study.

CHAPTER TWO:

**Review of Literature**: In this chapter a survey of the existing literature on the subject would be made and the need for the current study would be highlighted.

CHAPTER THREE:

**Methodology of the study**: This chapter would explain the methodology of the research which would be followed.

CHAPTER FOUR:

**Analysis and Findings of the study:** This Chapter would present the main results of the survey. With the application of statistical tools, the analysis and interpretation of the data would be discussed in detail to delineate the conclusions

CHAPTER FIVE:

**Conclusion and Recommendations**: This chapter would summarize the main findings of the study and would note down the main conclusions and policy implications for the organizations about which the study is related.

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